

ANALYSIS OF ORIGINAL BILL

Author: Cedillo & Keeley Analyst: Kristina North Bill Number: AB 2366

Related Bills: See Legislative History Telephone: 845-6978 Introduced Date: 02/20/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Emergency Food Assistance Program Fund

SUMMARY

Under the Administration of Franchise and Income Tax Law, this bill would allow taxpayers to make a voluntary contribution on their personal tax income returns to the Emergency Food Assistance Program Fund.

EFFECTIVE DATE

This bill would apply to taxable years beginning on or after January 1, 1998, and be repealed on January 1, 2004.

BACKGROUND

Ten voluntary contribution funds appeared on the 1997 state tax return. Total contributions to the funds have declined from approximately \$3.4 million in 1989/90 to approximately \$2.4 million in 1996/97. The number of individuals contributing (first tabulated in 1993) remains fairly constant at 140,000 to 150,000, or slightly more than 1% of all taxpayers.

SPECIFIC FINDINGS

Current federal law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 10 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board (FTB) and Controller's costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (indexed \$250,000) to remain on

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___X___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO ___

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department Director Date
Gerald H. Goldberg 3/12/98

Agency Secretary Date

By: Date

the return. Attachment II is a chart indicating the number of contributors and their contributions for multiple fiscal years.

This bill would establish the Emergency Food Assistance Program and would allow taxpayers to designate their own funds (not tax liability) to the Emergency Food Assistance Program Fund on their tax returns in full dollar amounts in the amount of one dollar (\$1) or more. The contributions may be made individually by each signatory on a joint return. The designations for any taxable year must be made on the initial return for the taxable year and, once made, are irrevocable.

This bill would require the Franchise Tax Board (FTB) to revise the personal income tax return to include a designation space for the Emergency Food Assistance Program, beginning with 1998 returns filed in 1999.

For taxable years beginning in 1999, **this bill** would require the fund to meet the \$250,000 minimum contribution test. Beginning in 2000, the FTB is required to adjust the \$250,000 minimum contribution amount for inflation. If in any calendar year the FTB estimates by September 1 that contributions made under this bill will be less than \$250,000 (as indexed), the fund would be repealed.

This bill would provide that a taxpayer's return be treated as if no designation had been made if payments and credits reported on the return, together with any other credits associated with the taxpayer's account, do not exceed the taxpayer's liability. In the event that no designee is specified, the designated contribution would be transferred to the General Fund.

This bill would provide that if a taxpayer designates a contribution to more than one fund on the tax return, and the amount available for contribution is insufficient to satisfy the total amount designated, the contribution would be allocated on a pro rata basis.

This bill would require all money transferred to the Emergency Food Assistance Program Fund, upon appropriation by the Legislature, be allocated to: 1) the FTB and the Controller for reimbursement of costs incurred performing their duties under this article, and 2) to the State Department of Social Services for allocation to the Emergency Food Assistance Program.

Policy Considerations

The placement of voluntary contributions on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information could ultimately impair tax collection and reduce administrative efficiency.

Implementation Considerations

The implementation of this bill would not significantly impact this department.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

Based on information and assumptions discussed below, revenue losses for this bill are estimated to be very minor, less than \$25,000 per year.

Tax Revenue Discussion

According to departmental data, the total amount of voluntary contributions was nearly \$2.5 million in fiscal year 1996/97, with an average of nearly \$200,000 per existing fund.

Contributions to the fund are eligible for a charitable deduction. Assuming contributions to this fund would be around \$300,000 per year with no reductions for other contributions normally reported, the revenue losses would be on the order of \$24,000 per year based on itemized deductions and by applying an 8% average marginal tax rate.

BOARD POSITION

Pending.